

Date: October 6, 2005

Table T05-0275
Remove AGI Phase-out Thresholds for Roth IRA Contribution Limits¹
Distribution of Federal Tax Change by AGI Class and Filing Status, 2005
Filing Status: Head of Household

AGI Class (thousands of 2005 dollars) ²	Number (thousands)	Tax Units ³		Percent Change in After-Tax Income ⁴	Percent of Total Tax Change	Average Tax Change (\$)	Average Federal Tax Rate ⁵	
		Percent of Total	Percent with Tax Cut				Current Law	Proposal
Less than 10	3,301	15.8	0.0	0.0	0.0	0	-11.0	-11.0
10-20	5,837	27.9	0.0	0.0	0.0	0	-4.0	-4.0
20-30	4,570	21.8	0.0	0.0	0.0	0	7.3	7.3
30-40	2,732	13.0	0.0	0.0	0.0	0	15.0	15.0
40-50	1,662	7.9	0.0	0.0	0.0	0	17.7	17.7
50-75	1,894	9.0	0.0	0.0	0.0	0	19.3	19.3
75-95	416	2.0	0.0	0.0	0.0	0	21.8	21.8
95-110	144	0.7	2.9	0.0	3.0	-12	23.2	23.2
110-150	143	0.7	13.1	0.1	29.0	-116	23.6	23.5
150-160	13	0.1	12.7	0.1	3.9	-168	21.6	21.5
More than 160	108	0.5	28.2	0.1	64.1	-342	29.2	29.1
All	20,949	100.0	0.3	0.0	100.0	-3	12.7	12.7

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0305-2).

(1) Calendar Year. Baseline is current law. Under current law, the maximum allowed contribution to a Roth IRA is \$4000 for single, head of household, and married filing separately filers and \$8000 for married filing jointly filers. These limits are gradually phased-out for single and head of household filers with AGI between \$95,000 and \$110,000, for married filing jointly filers with AGI between \$150,000 and \$160,000, and for married filing separately filers with AGI between \$0 and \$10,000. Under the proposal, the Roth IRA contribution limits are not phased out, and thus are the same for filers of all income levels. For a detailed discussion of the methodology used for imputing Roth IRA contributions, see Burman, Gale, Hall and Orszag (2004), available at:

http://www.urban.org/UploadedPDF/311029_TPC_DP16.pdf

(2) Tax units with negative AGI are excluded from the lowest income class but are included in the totals.

(3) Includes both filing and non-filing units. Tax units that are dependents of other taxpayers are excluded from the analysis.

(4) After-tax income is cash income less: individual income tax net of refundable credits; corporate income tax; payroll taxes (Social Security and Medicare); and estate tax.

(5) Average federal tax (individual income tax, net of refundable credits; corporate income tax; payroll taxes (Social Security and Medicare); and estate tax) as a percentage of average cash income.